

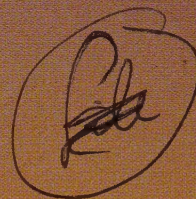
AR51



1979 Annual Report

Dynamic Mining Exploration Ltd.

(No Personal Liability)



Cover Photo:
Viking helicopter ferries drill crew to
base camp at close of shift.

To the Shareholders

The Directors are pleased to present the shareholders with the annual report together with the consolidated financial statements of the company for the year ended December 31, 1979.

The highlight of last year's exploration program was centered on the company's interest in the ongoing uranium exploration program in the Baker Lake area of the Northwest Territories. The company has a 14.1% working interest in 1,822 mining claims and seven leases totalling 110,000 acres. Our partners are Pan Ocean Oil Ltd. 60.2%, Petrobec Ltd. 17.1%, and Lochiel Exploration 8.6%.

Operation of the project was in the hands of Cominco Ltd. from 1975 to 1978 when the project reverted back to the original consortium.

The return of the project to our group was the result of field exploration and diamond drilling which implied negative results in Cominco's mind regarding the genetic model they favoured. These findings, which failed to support their model, were felt to be encouraging to our group whose model is more generally consistent with Athabasca Basin type deposits. This implied encouragement led to the 1979 field season which unfortunately was limited to the period between August 1 and October 8, 1979, by government injunction which prohibited industry from entering the area during July.

A total of five holes were drilled. The program was successful in intersecting additional mineralized zones, though it proved relatively ineffective in extending previous zones. It was also successful in enhancing the

structural knowledge of the area though insufficiently to prove or disprove the present models as the target was beyond the capability of the equipment on hand.

Exploration for the 1980 season is expected to start May 15, 1980. A budget of \$2,000,000 has been approved by the operators. Two diamond drills will be employed, one of which is capable of 5,000 feet plus. Twenty thousand feet of drilling is proposed for our 3½ month season. The camp has been established and will house a complement of 20 - 25 personnel, including three geologists and eight prospectors.

A well drilled in Lsd. 9, Section 2, Township 54, Range 5 at Bigoray in which our company has a 12½% interest recovered 50 metres of oil and gas-cut mud. The target formation was tight; however, a follow-up well is being considered.

Several stratigraphic tests were drilled on parcels offsetting our acreage in Foster and Towner Counties, North Dakota. Additional work is planned this year for the area. No additional wells are planned for our holdings in Brazos and Grimes Counties, Texas.

The company has purchased a 5% carried working interest to casing point in a five well program which commenced drilling May 1, 1980. The prospects are located in Fresno County, California (3), Kern County, California (1) and Banner County, Nebraska (1).

The company has negotiated a farmout agreement on our holdings in Section 19, Township 43, Range 23, west of the 4th Meridian in central Alberta. We will retain a 15 - 20% working interest at no cost to the company in a well to be drilled prior to August 1, 1980.



Viking Helicopter airlifts fuel to drill site, some 15 miles from base camp.

Effective December 1979, the company disposed of certain of its producing properties for a consideration of \$1.225 million. The funds were applied to the repayment of debentures, retirement of our bank loan and general working capital. The sale is reflected in the statement of earnings as an extraordinary item.

The company retains its interest in the shut-in East Marten Hills gas field, cash flow should be generated from this project within the next 12 - 18 months.

We are continuing to acquire freehold acreage in Central Alberta and look forward to an active season.

Respectfully submitted on
behalf of the Board of Directors

Gordon R. Travis
President

May 15, 1980

Aux actionnaires

C'est avec plaisir que les administrateurs vous soumettent le rapport annuel de la compagnie, ainsi que les états financiers consolidés, pour l'exercice terminé le 31 décembre 1979.

Les travaux de recherche dans le cadre du programme permanent d'exploration d'uranium de la compagnie dans la région de Baker Lake des Territoires du Nord-ouest ont constitué le point saillant du programme d'exploration de l'année dernière. La compagnie détient un intérêt économique direct de 14.1% dans 1,822 claims miniers et sept baux miniers couvrant dans l'ensemble 110,000 acres. Nos associés et leur participation respective sont: Pan Ocean Oil Ltd. (60.2%), Petrobec Ltd. (17.1%) et Lochiel Exploration (8.6%).

De 1975 à 1978, Cominco Ltd. a assumé l'exploitation du projet pour l'abandonner par la suite au consortium initial.

Cominco décida d'abandonner le projet après avoir effectué des études des sols et des forages au diamant, dont le résultat, nous croyons, ne répondaient pas au modèle génétique que Cominco favorisait. Les résultats obtenus de ces travaux semblaient être encourageant aux membres de notre groupe dont le modèle est beaucoup plus conséquent avec les gisements du type du bassin Athabasca, malgré qu'ils ne répondaient pas au modèle de Cominco. Vu ces signes encourageants, le programme de 1979 fut élaboré, mais a dû être écourté du 1er août au 8 octobre 1979, puisque des injonctions gouvernementales ont interdit à l'industrie minière l'accès aux régions en cause au cours du mois de juillet 1979.

Cinq trous ont été forés. Le programme a porté fruit puisqu'il a permis d'intersecter d'autres zones minéralisées et malgré qu'il n'a pas permis, dans une certaine mesure, d'étendre l'étendue des zones minéralisées. Le programme a, cependant, permis d'agrandir la connaissance de la structure de la région, mais pas suffisamment pour permettre de confirmer les modèles actuels. Cette tâche dépassait la capacité de l'équipement utilisé.

On prévoit débiter la saison de recherche 1980 le 15 mai 1980. Un budget de \$2,000,000 a été approuvé par les exploitants. Deux forêts au diamant seront utilisés, dont l'un peut atteindre une profondeur de 5,000 pieds et plus. On se propose de forer vingt mille pieds au cours des prochains trois mois et demie. Le camp de travail a été établi et on compte y loger 20 à 25 personnes, dont trois géologues et huit prospecteurs.

Un puits foré dans la Lsd. 9, section 2, canton 54, rang 5 de Bigoray, dans lequel la compagnie détient une participation de 12½%, a intersecté une boue émulsionnée de gaz et de pétrole de 50 mètres. La formation miseée était peu perméable; on contemple, cependant, forer un puits de relance.

Plusieurs essais stratigraphiques furent forés sur des terrains adjacents à notre superficie dans les cantons de Foster et de Towner, dans le Dakota-Nord. On prévoit effectuer des travaux supplémentaires dans la région au cours de cette année. Aucun autre puits n'est prévu sur nos avoirs des cantons Brazos et Grimes, au Texas.

La compagnie a acheté une participation économique directe, sans frais jusqu'à la cote définitive du tubage, de 5% dans un programme de cinq puits, dont le forage devrait débiter le 1er mai 1980. Ces zones d'intérêts sont situées dans les cantons de Fresno en Californie (3), de Kern, dans le Nebraska (1) et de Banner, dans le Nebraska (1).

La compagnie a négocié une amodiation sur ses avoirs situés dans la section 19, canton 43, rang 23, à l'ouest du 4e méridien, dans le centre de l'Alberta. Nous retiendrons un intérêt économique direct de 15 à 20%, sans frais, dans tout puits foré avant le 1er août 1980.

A compter de décembre 1979, la compagnie a aliéné certaines de ces propriétés productrices en contrepartie de \$1.225 million. Le produit de la vente a été utilisé pour rembourser des débentures et l'emprunt bancaire de la compagnie et a été affecté au fonds de roulement de la compagnie. La vente a été portée au bilan à titre de poste extraordinaire.

La compagnie conserve sa participation dans le champs gazéifère fermé de East Marten Hills. Ce projet devrait contribuer aux fonds autogénérés de la compagnie d'ici 12 à 18 mois.

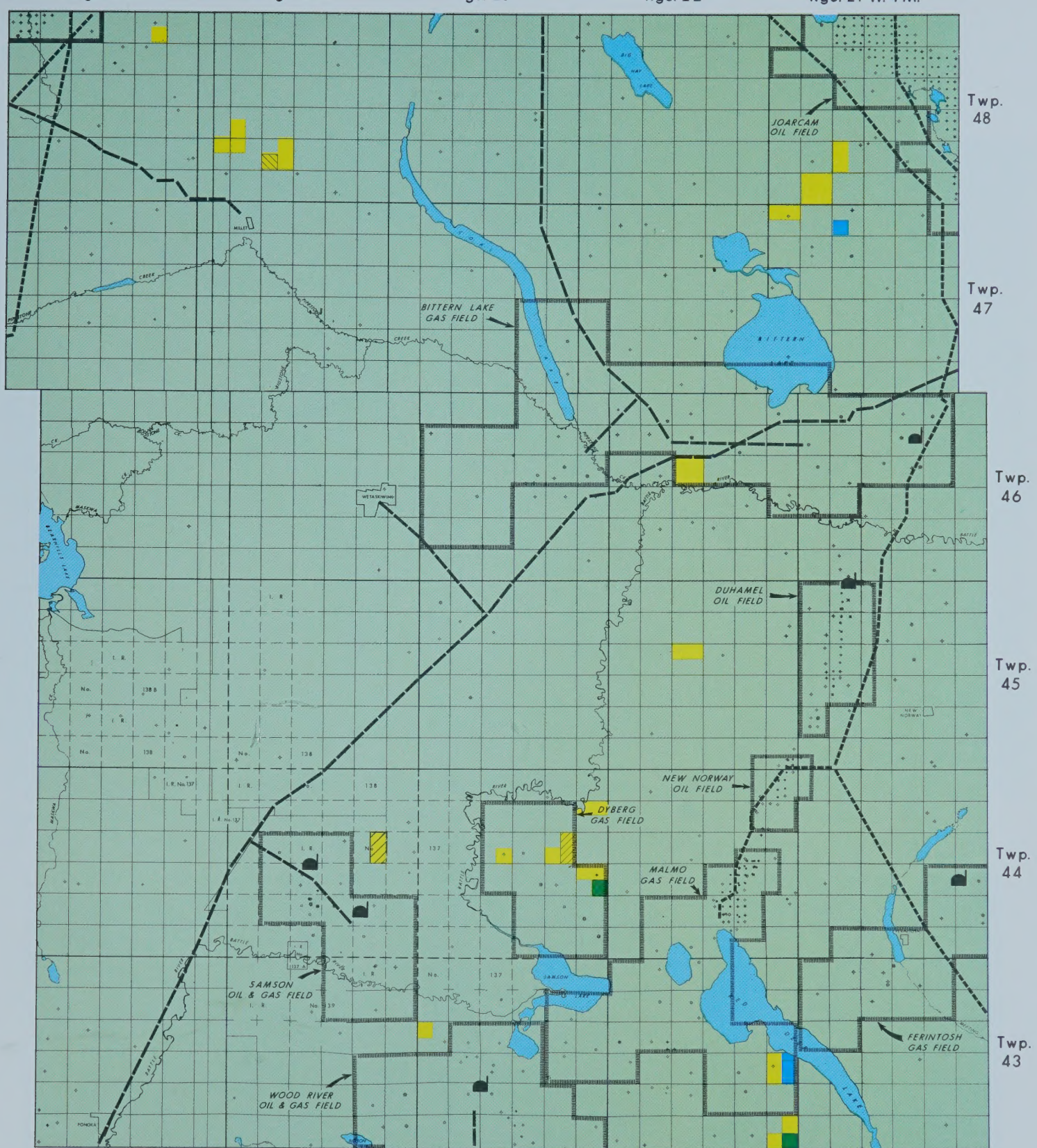
Nous poursuivons l'acquisition de terrains en propriété exclusive dans le centre de l'Alberta et anticipons une saison très active.


Soumis respectueusement au nom du conseil d'administration



Gordon R. Travis
Président





Le 15 mai 1980

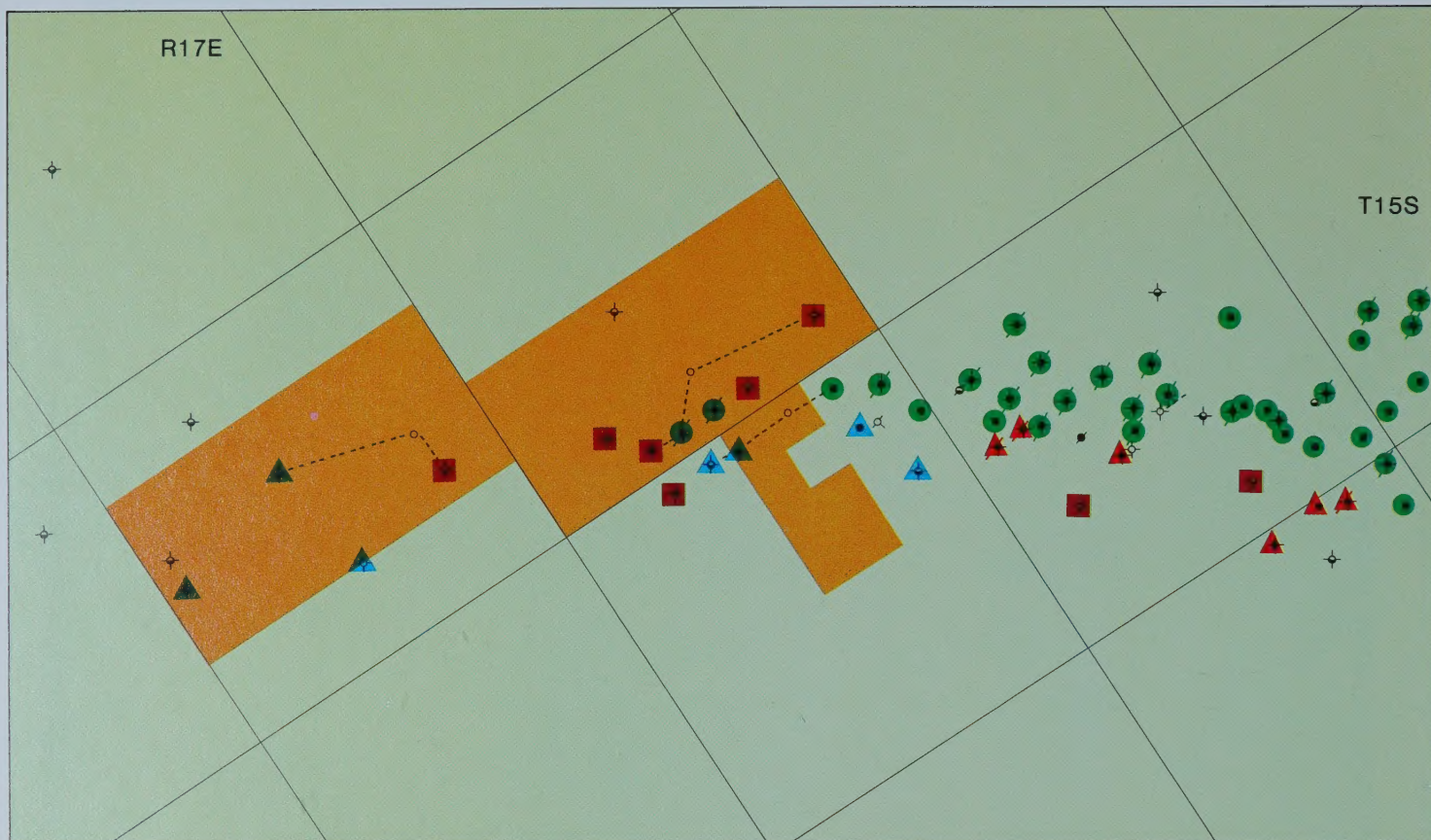


——— GAS PIPELINE
 - - - - - OIL PIPELINE
 GAS PROCESSING PLANT

CENTRAL ALBERTA LAND ACQUISITION PROGRAM



-  Petroleum and Natural Gas Leases
-  Leases (Partial Interest)
-  Lease Options
-  Gas Only Leases



Northwest Raisin City, California

LEGEND	Eocene oil show	Eocene production	Abandoned	5% Carried Working Interest
	Miocene zilch oil show	Miocene zilch production	Abandoned	Location



N.W. RAISIN CITY PROSPECT –
Fresno County, California, 18 miles southwest of the City of Fresno, 710 net acres.

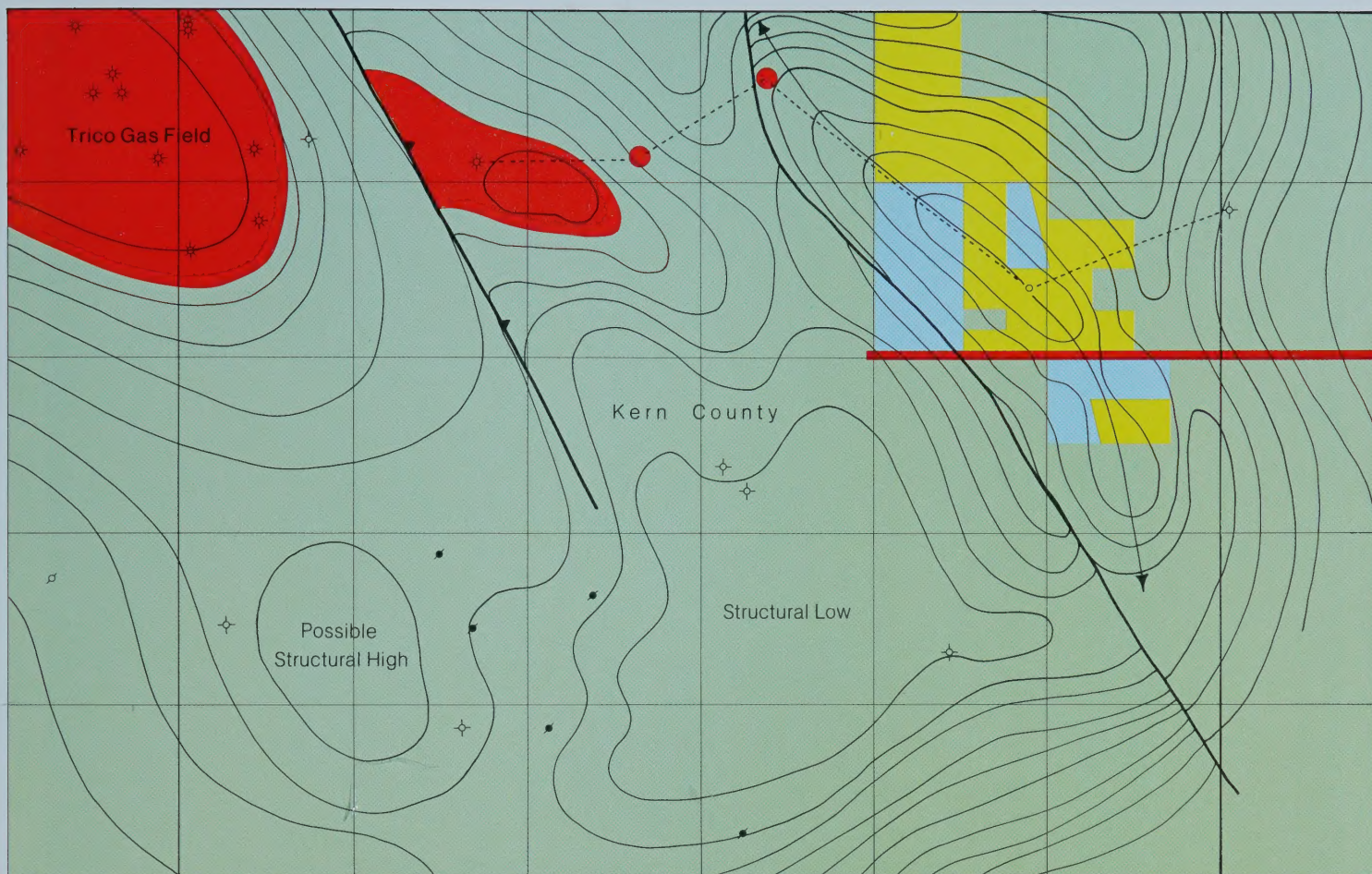
The prospect is an attempt to extend production to the northwest of the Raisin City oil field. As at year end 1977, this field had produced 34.8 million barrels from the Miocene Sandstones and 4.05 million barrels from the Eocene Sands.

Three wells are to be drilled. One wildcat, one stepout development and one inside development. All the wells have three target intervals that are potentially

productive between 4,700 and 6,300 feet; the principal objective being the Miocene Zilch formation around 5,000 feet. Two Eocene sections between 6,000 and 6,300 feet will also be tested.

The first well in the program is expected to spud prior to August 1, 1980.

In the event of success, seven additional wells will be drilled on 10 acre spacing. The company has a 5 percent carried working interest to casing point or 3.9 percent net revenue in the project.



Southeast Trico Prospect

LEGEND 5% Carried Working Interest Partial — 5% Carried Working Interest Mya Gas Show Location



Scale in miles
0 8 16

THE SOUTHEAST TRICO PROSPECT — Wildcat. Located four miles east of the Trico Gas Field — Fresno County, California, 30 miles northwest of Bakersfield. The prospect consists of approximately 4,500 gross acres or 1,215 net acres. The prospective productive zones are the first and second Maya Sands, at a depth of 3,500 to 4,000 feet, from which the Trico field has produced an estimated 200 BCF of gas from 133 wells or approximately 1.5 BCF per well. It is possible that up to 10 productive wells on 160 acre spacing may be drilled on this prospect. Using Trico as the parallel, this would represent 2.6 BCF recoverable gas per well. The initial test well should be spudded prior to August 1, 1980.

The company has a carried 5% working interest in the prospect or a 3.75% net revenue interest.

NORTH ALBIN PROSPECT — Semi-development J-2, wildcat J-1, Banner County, Nebraska, net acres — 1,300. Primary objective J1 and J2 Sandstones at 7,200 feet.

A test well was spudded May 1, 1980 and reached total depth May 9 although good sand development was encountered. All formations logged appear to be water bearing. The operators are currently considering a second location.

Drillcore Section

DDH - KZ - 10 - 79 - 1

1300 ft. Total Depth

1975 DRILLING

74 ft. at 0.128% U_3O_8
(2.6 lb./ton) 60 ft. - 134 ft.

72 ft. at 0.24% U_3O_8
(4.8 lb./ton) 231 ft. - 303 ft.

18 ft. at 0.808% U_3O_8
(16.2 lb./ton) 347 ft. - 365 ft.

6 ft. at 0.116% U_3O_8
(2.3 lb./ton) 383 ft. - 389 ft.

1.7 ft. at 0.12% U_3O_8
(2.4 lb./ton) 416.3 ft. - 418 ft.

4 ft. at 0.18% U_3O_8
(3.6 lb./ton) 428 ft. - 432 ft.

1979 DRILLING

1 ft.
(1.2 lb./ton) 596 ft. - 599 ft.

7 ft.
(5 lb./ton) 612 ft. - 621 ft.

1 ft.
(1.4 lb./ton) 680 ft. - 683 ft.

1 ft.
(4 lb./ton) 704 ft. - 707 ft.

1 ft.
(6 lb./ton) 760 ft. - 763 ft.

4 ft.
(2.2 lb./ton) 773 ft. - 779 ft.

.6 ft.
(1.2 lb./ton) 790 ft. - 793 ft.

1.5 ft.
(8 lb./ton) 812 ft. - 815 ft.

6 ft.
(3.5 lb./ton)
8 ft.
(1.2 lb./ton) 831 ft. - 873 ft.
8 ft.
(1 lb./ton) 1104 ft. - 1107 ft.

5 ft.
(1.5 lb./ton)
9 ft.
(6 lb./ton) 1127 ft. - 1141 ft.





Ken Reading, above left, veteran prospector and sometimes rare orchid hunter, and Bill Day, Project Geologist, split core and log samples at TK Base Camp. The importance of grass roots prospecting became much apparent when Reading discovered a zone of important mineralization no more than 1,500 feet from the KZ10 drill site. The area had been walked over literally hundreds of times by personnel of other operators. Eight prospector geologists will be employed on this year's program.



André Rousseau, left, Quebec-based diamond driller, nudges equipment beyond limitations. DDH-KZ 10-79, a deepening of a hole drilled by Cominco in 1975, did not reach target depth. Equipment capable of 5,000 feet plus is on the property and will be utilized for further testing of this anomaly.

Opposite page: Canadian Longyear drill rig on location at DDH K2 10-79-1.



DYNAMIC MINING EXPLORATION LTD.
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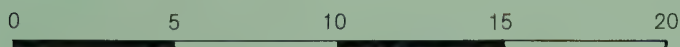
**LAND HOLDINGS
BAKER LAKE AREA N.W.T.**



DYNAMIC 14.1% INTEREST

1,800 claims	94,000 acres
7 leases	17,500 acres

SCALE MILES



DYNAMIC MINING EXPLORATION LTD.
(no personal liability)
(Incorporated under the laws of Quebec)

Consolidated Balance Sheet

As at December 31, 1979

ASSETS

	1979	1978
CURRENT ASSETS		
Cash.....	\$ —	\$ 151,753
Accounts receivable		
Trade	34,296	78,532
Sale of property	1,225,000	—
Prepaid expense	19,394	15,894
	<u>1,278,690</u>	<u>246,179</u>
PROPERTY AND EQUIPMENT, at cost (note 2)	1,743,125	2,567,583
Less accumulated depreciation		
and depletion	4,248	308,909
	<u>1,738,877</u>	<u>2,258,674</u>
	<u>\$3,017,567</u>	<u>\$2,504,853</u>

LIABILITIES

CURRENT LIABILITIES


Bank production loan, secured by petroleum and natural gas properties	\$ 377,000	\$ —
Accounts payable and accrued liabilities	255,688	115,535
	<u>632,688</u>	<u>115,535</u>
LONG-TERM DEBT	—	455,825
DEFERRED INCOME TAXES	591,319	155,319


SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 3)

Authorized		
10,000,000 Common shares, par value \$1		
each		
Issued		
4,116,290 Shares.....	2,186,288	2,186,288
CONTRIBUTED SURPLUS.....	100,634	100,634
DEFICIT.....	(493,362)	(508,748)
	<u>1,793,560</u>	<u>1,778,174</u>
	\$3,017,567	\$2,504,853

Approved by the Board

 Director

 Director

DYNAMIC MINING EXPLORATION LTD.
(no personal liability)

Consolidated Statement of Earnings and Deficit

Year Ended December 31, 1979

	1979	1978
Revenue		
Oil and gas sales	\$ 444,950	\$ 453,356
Expenses		
Production	206,114	188,698
Administration	183,019	128,730
Non-productive exploration	94,553	21,770
Interest on bank production loan	26,578	19,918
Depreciation and depletion	78,683	162,497
	<u>588,947</u>	<u>521,613</u>
Loss before income taxes	(143,997)	(68,257)
Deferred income taxes (reduction)	(67,800)	32,000
Loss before extraordinary item	(76,197)	(100,257)
Extraordinary item		
Gain on sale of petroleum and natural gas properties, net of deferred taxes of \$503,800	<u>91,583</u>	<u>—</u>
EARNINGS (LOSS) FOR THE YEAR	15,386	(100,257)
Deficit at beginning of year	(508,748)	(408,491)
DEFICIT AT END OF YEAR	<u><u>\$(493,362)</u></u>	<u><u>\$(508,748)</u></u>
EARNINGS PER SHARE		
Loss before extraordinary item	(1.9¢)	(2.8¢)
Extraordinary item	<u>2.2¢</u>	<u>—</u>
Earnings (loss) for the year	<u><u>.3¢</u></u>	<u><u>(2.8¢)</u></u>

DYNAMIC MINING EXPLORATION LTD.
(no personal liability)

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1979

	1979	1978
WORKING CAPITAL DERIVED FROM		
Operations	\$ —	\$ 94,240
Proceeds on sale of property and equipment	1,184,933	—
Increase in bank production loan	127,000	107,950
Issue of capital stock.	—	912,298
	<u>1,311,933</u>	<u>1,114,488</u>
WORKING CAPITAL APPLIED TO		
Operations before extraordinary item.	60,235	—
Additions to property and equipment		
Producing petroleum and natural gas properties.	3,834	6,684
Non-producing petroleum and natural gas properties.	86,247	777,231
Exploration, development and other expenditures on non-producing mining property	60,738	5,740
Office furnishings.	2,696	—
Payment on agreement for sale.	205,825	227,489
Decrease in bank production loan.	377,000	—
	<u>796,575</u>	<u>1,017,144</u>
INCREASE IN WORKING CAPITAL.	515,358	97,344
WORKING CAPITAL AT BEGINNING OF YEAR	<u>130,644</u>	<u>33,300</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 646,002</u>	<u>\$ 130,644</u>

Notes to Consolidated Financial Statements

Year ended December 31, 1979

1. ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bravo Resources Ltd.

(b) Petroleum and Natural Gas Properties

The Company capitalizes the acquisition costs of both producing and non-producing petroleum and natural gas properties and charges such costs against earnings if the property is subsequently surrendered. The cost of drilling a productive well is capitalized and the cost of a non-productive well is charged to earnings when the well is determined to be dry. Depreciation and depletion of the costs of producing leases, development costs and production equipment is provided using the unit of production method based upon estimated quantities of proven petroleum and natural gas reserves as determined by independent consulting engineers. The recovery of the costs of the non-producing petroleum and natural gas property is therefore dependent upon developing economic operations or the sale or disposition of such property for amounts equal to the Company's investment therein.

All the Company's petroleum and natural gas exploration, development and production activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

(c) Non-Producing Mining Property

The costs of non-producing mining property are capitalized by area of interest when acquired and when all claims in an area of interest are surrendered such costs are written off against earnings. Included in mining property costs are exploration, development and other expenditures which have been deferred with the intention that they be amortized against revenue from future mining operations. The recovery of the costs of the non-producing mining property is therefore dependent upon developing economic mining operations or the sale or disposition of such property for amounts equal to the Company's investment therein.

(d) Income Taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the financial statements. Under this method the Company provides for deferred income taxes to the extent that income taxes otherwise payable are eliminated by claiming exploration and development costs and capital cost allowances in excess of the related depletion and depreciation provisions reflected in the financial statements.

DYNAMIC MINING EXPLORATION LTD.
(no personal liability)

2. PROPERTY AND EQUIPMENT

	1979			1978
	Cost	Accumulated Depletion and Depreciation	Net	Net
Producing petroleum and natural gas properties including development and equipment thereon.	\$ 14,084	\$ 762	\$ 13,322	\$ 672,343
Non-producing petroleum and natural gas properties including development thereon . .	881,571	—	881,571	803,903
Non-producing mining property				
Mineral claims	325,000	—	325,000	325,000
Deferred exploration, development and other expenditures.	511,636	—	511,636	450,898
	836,636	—	836,636	775,898
Office furnishings	10,834	3,486	7,348	6,530
	<u>\$1,743,125</u>	<u>\$4,248</u>	<u>\$1,738,877</u>	<u>\$2,258,674</u>

3. CAPITAL STOCK

Capital stock is comprised of:

Shares issued at par value or greater	1,586,285
Shares issued at a discount	2,530,005
	<u>4,116,290</u>

At December 31, 1979 common shares were reserved for issuance as follows:

On exercise of share purchase warrants	
At \$1.00 per share until August 31, 1980	325,000
At \$1.44 per share until October 4, 1980	250,000
On exercise of stock options granted to officers and directors	
At \$.60 per share until August 28, 1982	160,000
	<u>735,000</u>

4. STATUTORY INFORMATION

Direct remuneration paid during the year to directors and senior officers of the Company (as defined by the Quebec Companies Act to include all employees of the Company) was \$101,585 (\$25,600 in 1978).

Auditors' Report

To the Shareholders of
Dynamic Mining Exploration Ltd.
(no personal liability)

We have examined the consolidated balance sheet of Dynamic Mining Exploration Ltd. (no personal liability) as at December 31, 1979 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The ultimate recovery of the Company's investment in property and equipment is dependent upon developing economic operations or the sale or disposition of such assets for amounts equal to the Company's investment therein (see note 2).

In our opinion, subject to the effects, if any, on the consolidated financial statements of the ultimate resolution of the matter referred to in the preceding paragraph, and according to the best of our information and the explanations given to us and as shown by the books of the Company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
March 3, 1980

Thorne Riddell & Co.
Chartered Accountants

DYNAMIC MINING EXPLORATION LTD.

Land Inventory

Area	Percentage	Gross	Net
Baker Lake	14.10	110,000	15,510
Bigoray	7.00	3,200	224
Joffre	2.30	480	11
Donalda	12.50	640	80
Big Valley	40.00	1,280	512
Parkman	100.00	80	80
Ellmore	5.00	1,600	80
Woodnorth	100.00	160	160
East Marten Hills	4.00	13,760	554
Doris Creek	4.30	12,160	528
Central Alberta	80.00	6,173	5,856
Total Canadian		<u>151,451</u>	<u>23,595</u>
Foster & Towner	5.00	24,600	1,230
Tennessee & Kentucky	25.00	1,034	258
Kissinger 8 well program	3.12	5,326	166
Total U.S.		<u>30,960</u>	<u>1,654</u>
Grand Total		<u>179,844</u>	<u>23,736</u>

DIRECTORS:

GORDON R. TRAVIS, *Calgary, Alberta*
VICTOR E. TRUDEL, *Calgary, Alberta*
MARLENE J. KAZAKOFF, *Calgary, Alberta*

OFFICERS:

GORDON R. TRAVIS, *President*
MARLENE J. KAZAKOFF, *Secretary-Treasurer*

HEAD OFFICE:

720 STOCK EXCHANGE TOWER,
800 PLACE VICTORIA,
MONTREAL, P.Q.

EXECUTIVE OFFICES:

970 CALGARY PLACE NUMBER THREE,
355 - FOURTH AVENUE S.W.,
CALGARY, ALBERTA T2P 0J1

AUDITORS:

THORNE RIDDELL & CO.
Calgary, Alberta

BANKERS:

THE CANADIAN IMPERIAL BANK OF COMMERCE,
Calgary, Alberta

REGISTRAR:

MONTREAL TRUST COMPANY,
Quebec City

TRANSFER AGENT:

MONTREAL TRUST COMPANY,
Quebec City, Montreal, Calgary and Vancouver

SHARES LISTED:

THE MONTREAL STOCK EXCHANGE

THE ALBERTA STOCK EXCHANGE

Dynamic Mining Exploration Ltd.

(No Personal Liability)

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